

**REVENUE IMPACT OF  
PROPOSED LEGISLATION  
Seventy-Eighth Oregon Legislative  
Assembly  
2015 Regular Session  
Legislative Revenue Office**

**Bill Number: HB 2489  
Revenue Area: Cigarette Tax  
Economist: Kyle Easton  
Date: 3/10/2015**

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

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**This office has reviewed the proposed legislation and determined that it has**

## **Minimal Revenue Impact**

The measure is expected to have a minimal revenue impact in FYs 2016 and 2018. Under current law Oregon's cigarette tax is scheduled to increase by \$0.01 per pack on January 1<sup>st</sup> 2016 and 2018 respectively. Under current law, cigarette stamps issued prior to each tax change will expire the 31<sup>st</sup> of January following each tax increase and any cigarette packs with affixed expired stamps will be contraband and subject to seizure and criminal/civil penalties if held for sale following the expiration date.

In response to the current law expiration of stamps, it is expected that retailers and particularly cigarette distributors would be forced to reduce inventories leading up to the January 1 tax increases. This would be followed by an increase in stamp purchases directly following the tax increase. The elimination of the tax stamp expiration in this bill will eliminate the need for retailers and distributors to reduce inventory. This is expected to reduce the number of stamps sold directly following the tax increases causing a slight reduction in tax receipts.

Eliminating the expiration of the stamps, along with the absence of a floor tax could create an opportunity for distributors to purchase more stamps prior to the tax increase. This could result in a loss of revenue as more stamps are purchased at a price \$0.01 lower. The bill does place limitations on the amount of stamps distributors may purchase prior to the tax increase, and as such the revenue loss is expected to be minimal.

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